



THE HIDDEN COST OF BUDGET GIMMICKS

When a politician in Washington claims something is “paid for,” it is wise to be wary. By engaging in practices that purposefully mislead the public, it is no wonder Congress’ approval rating hovers around 20 percent.¹ Members of Congress often claim bills are fully paid for and will even reduce the deficit, but in reality, are full of budget gimmicks.² See more below on examples of budget gimmicks that are concealing the real cost of bills.

Only Partially Funding New Programs

- Congress often doesn’t fully fund new, permanent federal programs for 10 years, although bills are scored in a 10-year window. This creates a fiscal cliff where the total cost of the programs appears smaller but pressures Congress to come back years after the program was created to shore up funding.
- For example, the Democrats’ Build Back Better framework creates a new long-term federal program funding preschool for all 3- and 4-year-olds but only funds the program for six years.
- The framework also creates a new long-term federal program subsidizing childcare. This program, like the universal preschool program, only includes funding for 6 years.

Making Tax Credits Temporary

- Similarly, by making a tax credit temporary, the total cost seems smaller than extending a tax credit for 10 years. This will create pressure on Congress to extend the credit in the future when it expires.
- For example, the American Rescue Plan Act expanded the child tax credit from \$2,000 per child to \$3,000-\$3,6000 per child temporarily through the 2021 tax year.
- Now that the tax credit has expired, Democrats have advocated for extending it again, which the Congressional Budget Office (CBO) has estimated would cost \$1.6 trillion over the 10-year period.³

If a bill only funds new programs for a couple of years, but Congress will be expected to fund it in perpetuity, it will certainly increase the deficit. Just as budget gimmicks were used to hide the true costs and inflate the benefits of the Affordable Care Act, among numerous other pieces of legislation, Americans should heed the saying “fool me once, shame on you; fool me twice, shame on me.”⁴

POLICY SOLUTIONS

Budget gimmicks erode public trust, and rather than continuing to mislead the American people, Congress should stop the deceitful practices. Further, reforms to CBO scoring should be considered to allow for more transparency of a bill’s true cost. For example, CBO should treat all temporary provisions consistently, since Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 allows new spending programs over \$50 million to be treated as permanent in the baseline, which makes an extension of the increased spending level appear costless. Other reforms, such as H.R. 638, the Cost Estimates Improvement Act, would require CBO to include the effects of servicing the debt in cost estimates, allowing for a better understanding of the true cost of a bill.

¹ Do you approve or disapprove of the way Congress is handling its job? Statista. <https://www.statista.com/statistics/207579/public-approval-rating-of-the-us-congress/>

² President Biden Announces the Build Back Better Framework. The White House. October 28, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/president-biden-announces-the-build-back-better-framework/> and Build Back Better Framework. The White House. October 28, 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/10/28/build-back-better-framework/>

³ Mychael Schnell. Dozens of Democrats call for action on child tax credit during lame-duck session. The Hill. October 27, 2022. <https://thehill.com/homenews/house/3707905-dozens-of-democrats-call-for-action-on-child-tax-credit-during-lame-duck-session/> and Budgetary Effects of Making Specified Policies in the Build Back Better Act Permanent. Congressional Budget Office. December 21, 2021. <https://www.cbo.gov/system/files/2021-12/57706-BBBA-Palmer-Letter.pdf>

⁴ Kathryn Nix. Obamacare and the Budget: Playing Games with Numbers. The Heritage Foundation. January 21, 2011. <https://www.heritage.org/health-care-reform/report/obamacare-and-the-budget-playing-games-numbers>